



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

AUG 25 2003

TO: All State Distributing Agencies

SUBJECT: Nonfat Dry Milk Processing Guidance

We have received a significant number of questions from State agencies reviewing End Product Data Schedules (EPDS) utilizing commodity nonfat dry milk (NDM) in the formulation of further processed end products in connection with FD-001: Nonfat Dry Milk Processing. We believe that too many inconsistencies exist in the EPDS submitted to States from various processors. To eliminate these inconsistencies among processors, the Food Distribution processing staff in Alexandria, Virginia, will begin approving ALL EPDS for end products that utilize NDM.

State agencies should not approve processing contracts with NDM EPDS's unless those schedules have been reviewed and approved by FDD processing staff. If States have already approved processing contracts for NDM, please be aware that we will require NDM processors to submit revised schedules to States after Headquarters approval. In an effort to accomplish this review as quickly and efficiently as possible, we are requesting that State agencies notify any processor that has submitted a NDM processing contract to your State of this new procedure.

Our processing staff will be reviewing the NDM EPDSs for accuracy of completion, crediting of by-products, and verification of manufacturing process through Column 10 of the EPDS. For finished end products containing cheese, processors will have to show the first stage of producing cheese with NDM to Headquarters, FNS, but will not be required to submit those EPDS showing the natural cheese production to State agencies, unless specifically requested by the State agency. State agencies must not share the confidential information shown on any natural cheese EPDS. With Headquarters approval of the production process, processors will provide only EPDS for finished end products to State agencies that will show the number of pounds of commodity NDM drawn down per case of finished end product. State agencies may rely on the data provided on the finished product EPDS for draw down of their NDM inventory as long as FNS, Headquarters has approved the schedule.

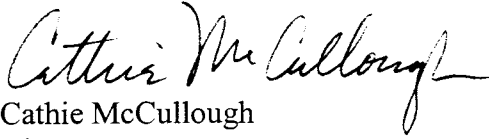
We understand that procurement bids may have been awarded and processing of NDM has already begun based on price quotes from these EPDSs that could contain inconsistencies or errors. FDDs processing staff will work with processors to resolve any procurement issues on a case-by-case basis.

Processors utilizing NDM as allowed by FD-001: Nonfat Dry Milk Processing, should submit EPDSs and any supporting documentation to Sherry Thackeray either electronically to Sherry.Thackeray@fns.usda.gov, by fax at (703) 305-2420, or mail USDA - FNS - Food Distribution Division, 3101 Park Center Drive, Room 500, Alexandria, Virginia 22302. The processor should include a contact name, telephone number, and fax number so that approved schedules may be returned promptly to them for distribution to their customers.

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Once the EPDS approvals are complete, my processing staff will be happy to discuss the EPDSs with State agencies to further their understanding of utilizing commodity NDM to reduce costs in further processed end products. All questions should be directed to Sherry Thackeray at (703) 305-2652 or Dave Brothers at (703) 305-2668.

A handwritten signature in black ink, reading "Cathie McCullough". The signature is fluid and cursive, with a long horizontal stroke at the end.

Cathie McCullough

Director

Food Distribution Division

Food and Nutrition Service

U.S. Department of Agriculture

(703) 305 - 2680